

Universal Forest Products, Inc.
A response to the proposed changes to the Michigan SBT

GRAND RAPIDS, MI – Celebrating its 50th anniversary, Universal Forest Products engineers, manufactures and markets wood and wood-alternative products for D-I-Y retail home centers, structural lumber products for the manufactured housing industry, engineered wood components for the site-built construction market and specialty wood packaging for various industries. In 2004, the company had revenue of \$2.5 billion.

Universal has more than 9,000 employees who work in 98 facilities located across the U.S., Canada, and Mexico. For the past 50 years, the company has chosen Michigan to house its corporate headquarters, where it employs 185 professionals and administrative specialists.

Universal is grateful for the opportunity to present its position on the governor's SBT proposal. We respectfully submit that the SBT proposal as it currently stands would be a detriment to Universal Forest Products. While Universal isn't as major a manufacturer in Michigan as the beneficiaries of this proposal (in Michigan, we have only two manufacturing locations operated by a subsidiary), it is a Michigan success story that is important to the vitality and diversity of the state's business landscape, and it is a leading supplier to multinational corporations that do business in Michigan.

The Michigan Department of Treasury has stated that 23% of Michigan companies will suffer from this plan – and that the companies that comprise that 23% will now be required “to start paying their fair share.” This implies that those of us who choose to have international corporate headquarters in Michigan have not been paying our fair share. We take exception to that.

While this proposal may benefit the auto industry, other in-state manufacturers and research-and-development companies, it hurts Universal Forest Products, Inc. and its subsidiaries as a whole. Most of our manufacturing takes place outside the state. We conduct significant service operations in Michigan that would be negatively affected by the SBT proposal.

Combined, our total Michigan SBT would increase 80% under this proposal.

This is disconcerting to us and will hamper our success, and anything that hampers Universal's success will have a negative impact on others. Why? Universal purchases goods and services in Michigan to supply its Michigan-based operations and its facilities across the country. In fact, in 2004, 900 vendors served Universal's corporate office. From those vendors, we estimate we purchased \$15 million in goods and services last year. Accordingly, the scope of the revenue impact to the Michigan economy extends beyond the confines of the UFPI group of companies.

We consider the SBT proposal a significant tax burden to profitable Michigan-based service companies that could effectively drive profitable companies with a significant "white-collar" workforce (such as corporate headquarters, management companies and investment companies) out of Michigan. It would be detrimental to the State to lose these companies because they're populated with jobs that are held by people who make up a significant percentage of the Michigan Individual Income Tax base and who purchase goods in Michigan and paying Michigan sales and use taxes.

While we are encouraged by the desire of the Governor and the Treasury Department to do something about the SBT, we do not believe that the current proposal is the answer. It does not provide any incentive to create jobs in Michigan, and merely shifts the tax burden from one sector of Michigan's economy to another. We believe that it will have an adverse impact on many companies and won't realize the revenue goals that are anticipated by the Governor and the Department.

We appreciate this opportunity to provide our analysis and opinion.